

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	

**SPRINT CORPORATION'S REPLY TO COMMENTS REFRESHING THE
RECORD ON PETITIONS FOR RECONSIDERATION**

Sprint Corporation ("Sprint") submits its Reply Comments to comments submitted on August 20, 2001, to refresh petitions for reconsideration of the *First Report and Order* in CC Docket No. 96-45.¹ In these Reply Comments, Sprint takes the opportunity to support certain comments made by AT&T regarding assessment and recovery of universal service funds.

The specific issue addressed in AT&T's Comments is the problem of how to assess carriers' USF contributions, and how to allow carriers to recover those contributions, in a manner that is truly competitively neutral. On June 25, 2001 and July 9, 2001 Sprint filed comments ("Sprint's USF Reform Comments") and reply comments in the above referenced docket which provided the Commission with a comprehensive plan for revising the current USF assessment, contribution, and recovery mechanisms. Many of the suggestions offered by AT&T in its Comments are consistent with Sprint's proposal, as discussed below.

¹ In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *First Report and Order*, 12 Fcc Rcd 8776 (1997).

AT&T advocates that the Commission require all carriers to pass through a prescribed USF contribution amount.² A uniform prescribed amount is competitively neutral among carriers for two reasons. First, it eliminates distinctions that might cause end-users to choose one provider over another simply because of differences in USF contribution that appear on the end-user's bill. Second, coupled with the collect and remit proposal discussed below, it eliminates the carriers' need to adjust their recovery surcharge to account for uncollected amounts, an adjustment that, while perfectly legitimate and fully warranted under today's rules, can nonetheless cause customer confusion. For these reasons, in Sprint's USF Reform Comments, Sprint proposed a uniform, per-line charge for wireline carriers and a separate, uniform charge for all wireless carriers (two distinct uniform charges are needed to maintain the relative USF burden across carrier type). These uniform charges are consistent with AT&T's proposed "prescribed USF contribution amount."

AT&T also advocates that carriers remit to the fund only the amounts that they collect from end users.³ An advantage of a collect-and-remit approach, as suggested in Sprint's USF Reform Comments, is that it eliminates any *need* for carriers to adjust assessments in order to account for uncollectables or non-recovery. As AT&T succinctly stated in its USF Reform Comments, "Because each carrier faces a different risk of non-recovery, good faith efforts to fashion recovery mechanisms will inevitably result in line-item fees of substantially varying amounts...The best way to remove these anomalies is

² AT&T Comments at 2.

³ *Ibid.*

to...make the fund, rather than the individual carriers, account for non-recovery.”⁴ Under the proposed collect and remit methodology, the fund itself becomes responsible for any potential non-recovery, and any adjustments that are made to compensate for non-recovery (or under-recovery) are made at the aggregate fund level. This approach, combined with the prescribed uniform amount discussed above, ensures that adjustments will fall equally across all contributors so as to ensure competitive neutrality.

AT&T also proposes eliminating the lag between accrual and assessment of universal service obligations.⁵ This lag, combined with the current practice of a revenue-based assessment mechanism, creates a complicated and unwanted situation for companies with declining or increasing revenues. Because the revenue base from which the assessment must be recovered differs from the base from which the assessment was calculated, over- and under-recovery are likely on an individual carrier basis. Sprint’s proposal in its USF Reform Comments eliminates the problems and the competitive non-neutrality caused by the current lagged structure by examining industry revenue in total (wireline/wireless) and calculating uniform per line assessments based on the aggregate number. Since the problems inherent in the existing lagged structure are generally caused by changes in *individual carriers’* revenue streams, rather than changes in industry-wide revenue streams, Sprint’s proposal solves these problems.

Finally, AT&T proposes that the Commission transition from a revenue-based assessment method to a flat-rate assessment method (AT&T Comments page 2).⁶ Sprint

⁴ In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Notice of Proposed Rulemaking*, FCC 01-145 (rel. May 8, 2001); AT&T Comments (filed June 25, 2001) at 3-5.

⁵ AT&T Comments at 2.

⁶ *Ibid.*

enthusiastically supports this approach, as discussed in Sprint's USF Reform Comments, because a revenue-based assessment is not the most economically efficient nor is it the most equitable. The justification for the existing method is based on the belief that 1) revenues reflect usage, and 2) the benefits of universal service are greater for those users that have high levels of usage. Both of these are incorrect. Differences in revenues reflect differences in pricing as much (or more) than they reflect differences in usage. Furthermore, there is no relationship between usage and the benefits that accrue to customers when an additional end-user joins the network (or does not drop off the network). Since universal service provides potential benefits to all customers, all customers should support universal service equally. This is the only method that ensures equal treatment among the end users who actually make up the public switched telephone network.

In summary, Sprint supports AT&T's recommendations made on page 2 of its Comments and discussed herein. AT&T's positions are consistent with Sprint's proposals in its USF Reform Comments. The Commission should issue an order approving these recommendations and further implementing Sprint's USF reform proposals.

Respectfully submitted,

SPRINT CORPORATION

/s/

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CERTIFICATE OF SERVICE

I, Joyce Y. Walker, hereby certify that I have on this 4th day of September 2001, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing “Sprint Corporation's Reply To Comments Refreshing The Record On Petitions For Reconsideration” in the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed this date with the Secretary, Federal Communications Commission, to the appropriate parties in this docket.

/s/_____
Joyce Y. Walker